

Saudi Steel Pipe Company

Results For The Year Ending December 31, 2022

The financial and operational information herein highlights the main results of the period based on audited consolidated financial statements presented in Saudi Riyals and prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA). Additionally, this summary includes non-IFRS alternative performance measures i.e., EBITDA, Net cash (debt) and Free Cash Flow. See "Exhibit I" for more details on these alternative performance measures.

Summary of The Results

(Comparison with 2021)

	Year Ended December 31,		
	2022	2021	
Sales (SAR Thousands)	747,623	373,485	100%
Operating income (loss) (SAR Thousands)	69,512	(5,409)	
Net income (SAR Thousands) *	54,206	932	5,718%
Earnings per share (SAR)*	1.07	0.02	5,718%
EBITDA** (SAR Thousands)	112,006	39,607	183%
EBITDA margin (% of net sales)	15%	11%	
Free Cash Flow (SAR Thousands)	(13,929)	55,200	
Net cash (debt) (SAR Thousands)	(143,969)	(127,978)	
Gearing Ratio (Equity/Net Debts)	3.8x	3.9x	

* Include the results of discontinued operations.

** Exclude the results of discontinued operations. EBITDA is defined as operating (loss) income plus depreciation, amortization, and impairment charges / (reversals).

2022 compared with 2021:

- SSP recorded a positive EBITDA of SAR 112.0 million, 15% margin, compared to a positive EBITDA of SAR 39.6 million, 11% margin in 2021, mainly driven by higher volume, better mix of products sold and improved efficiencies.
- Due to a higher level of activity, SSP's working capital rose in 2022 resulting in a negative free cash flow of SAR (13.9) million compared to a positive free cash flow of SAR 55.2 million in 2021. Consequently, Net debt increased to SAR 144.0 million at the end of 2022 from SAR 128.0 million at the end of 2021.

Exhibit I - Alternative performance measures

Alternative performance measures should be considered in addition to, not as a substitute for or superior to, other measures of financial performance prepared in accordance with IFRS

EBITDA, Earnings before interest, tax, depreciation, and amortization.

EBITDA provides an analysis of the operating results, excluding depreciation and amortization, and impairments being non-cash variables which can vary substantially from company to company depending on accounting policies and the accounting value of the assets. EBITDA is an approximation to pre-tax operating cash flow and reflects cash generation before working capital variation. EBITDA is widely used by investors when evaluating businesses (multiple valuations), as well as by rating agencies and creditors to evaluate the level of debt, comparing EBITDA with net debt.

EBITDA is calculated as follows:

EBITDA= Operating results + Depreciation and amortization + Impairment charges/(reversals).

(All amounts in thousands of SAR)

	Year Ended December 31,	
	2022	2021
Operating income (loss)	69,512	(5,409)
Depreciation and amortization*	42,494	45,017
EBITDA	112,006	39,607
EBITDA %	15%	11%

* Exclude depreciation related to discontinued operations.

SSP recorded a positive EBITDA margin of 15% in 2022 compared to 11% in 2021. This improvement resulted mainly from higher volume, better mix of products sold and efficiency improvements.

Free Cash Flow

Free cash flow is a measure of financial performance, calculated as operating cash flow less capital expenditures. FCF represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base.

Free cash flow is calculated in the following manner:

Free cash flow= Net cash (used in) provided by operating activities – Capital expenditures.

(All amounts in thousands of SAR)

	Year Ended December 31,	
	2022	2021
Net cash (used in) provided by operating activities	(12,155)	61,840
Capital expenditures	(1,775)	(6,640)
Free cash flow	(13,929)	55,200

Due to the higher level of activity and the increase in working capital, SSP recorded a negative free cash flow of SR (13.9) million in 2022 compared to a positive free cash flow of 55.2 million in 2021.

Net Cash (Debt)

This is the net balance of cash and cash equivalents, other current investments, and non-current investments less total borrowings. It provides a summary of the financial solvency and liquidity of the company. Net cash (debt) is widely used by investors and rating agencies and creditors to assess the company's leverage, financial strength, flexibility, and risks.

Net cash (debt) is calculated in the following manner:

Net cash= Cash and cash equivalents + Other investments (Current and Non-Current) +/- Derivatives hedging borrowings and investments – Borrowings (Current and Non-Current)

	As at December 31,	
	2022	2021
(All amounts in thousands of SAR)		
Cash and cash equivalents	79,332	99,367
Current Borrowings	(123,966)	(182,866)
Non-current Borrowings	(99,335)	(44,479)
Net cash (debt)	(143,969)	(127,978)
Equity	550,516	495,204
Gearing Ratio (Equity/Net Debt)	3.8x	3.9x

As a consequence of the working capital increase due to higher level of activity, net debt increased to SAR 144.0 million in 2022 compared to SAR 128.0 million in 2021. Gearing ratio remained comparable to 2021.